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Message Text

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13
ACTION AGR-20

INFO OCT-01 EA-11 ISO-00 EB-11 SWF-02 CIAE-00 INR-11

NSAE-00 RSC-01 COME-00 STR-08 TRSE-00 DRC-01 AID-20

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R 020733Z AUG 74
FM AMEMBASSY CANBERRA
TO SECSTATE WASHDC 3797

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PASS AGRICULTURE FOR PENCE AND NOVOTNY

E.O. 11652: N/A
TAGS: ETRD, EAGR, AS, PNG

SUBJ: RICE MARKET DEVELOPMENT

1. AMCONSUL PORT MORESBY REPORTS GPNG IS BECOMING IN-
CREASINGLY CONCERNED ABOUT INFLATION AND IS KEEN TO
REDUCE IMPORT COST OF STAPLE PRODUCTS SUCH AS RICE.
FOREIGN MINISTER KIKI IS TRAVELLING TO SOUTH-EAST ASIA
IN EFFORT TO BUY RICE CHEAPER THAN OFFERED BY AUSTRALIA.
AUSTRALIAN RICE INDUSTRY AND GOA OFFICIALS FAIRLY CON-
FIDENT THIS MOVE WILL BE UNSUCCESSFUL, AND HOPE TO
CONTINUE SOLE-SUPPLIER ROLE AFTER INDEPENDENCE.

2. IN PAST GOA EXTERNAL TERRITORIES DEPARTMENT ARRANGED
ANNUAL SUPPLY CONTRACT BETWEEN NSW RICE INDUSTRY AND
TERRITORY ADMINISTRATION AT FIXED PRICES WELL ABOVE
WORLD MARKET, MAKING PAPUA AND NEW GUNIEA MOST PROFITABLE
EXPORT OUTLET FOR RICE INDUSTRY. SINCE INTRODUCTION
SELF-GOVERNMENT IN PNG ANNUAL CONTRACT HAS BEEN NEGOTIATED
DIRECTLY BETWEEN GPNG AND NEW SOUTH WALES INDUSTRY.
GOA WITHDRAWAL FROM SUPPLY SCHEME AND INDEPENDENCE NEXT YEAR
WEAKENED INDUSTRY HOLD ON PNG MARKET, WHICH THEN ATTEMPTED
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TO SECURE POSITION BY FORMING PNG SUBSIDIARY CORPORATION

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FOR RICE DISTRIBUTION AND PROPOSING TO GPNG THIS ENTITY
BE GIVEN SOLE RICE DISTRIBUTION RIGHTS. ALTHOUGH
NEGOTIATIONS HAVE BEEN GOING ON FOR SOME TIME, GPNG
RELUCTANT TO ENTER SUCH ARRANGEMENTS AND HAS BEEN
STALLING ON DECISION.

3. THE CURRENT SUPPLY AGREEMENT BETWEEN RICEGROWERS
CO-OP MILLS AND GPNG ENDS AUGUST 13, 1974. HOWEVER,
PARTIES AGREED ON EXTENSION FOR THREE MONTHS TO NOV.
13, WITH OPTION FOR A LONG TERM AGREEMENT IF GPNG
SO DESIRES AT THAT TIME. IN THE MEANTIME GPNG IS
ENDEAVOURING TO FIND CHEAPER ALTERNATIVE SUPPLIERS,
OF WHICH CALIFORNIA COULD BE A MAJOR ONE. MOST RICE
NOW SHIPPED BY NSW TO PNG MARKET IN CONSUMER PACKS,
CALROSE AND CALORO SHORT GRAN, MILLED AND VITAMIN
ENRICHED, 10 PERCENT BROKENS, ALTHOUGH SMALL QUANTITY
OF LONG GRAIN ALSO SHIPPED FOR CHINESE SEGMENT OF
POPULATION. ALSO SHORT GRAIN MILLED NOT POLISHED OR
GLAZED. LATEST PRICE INFO AVAILABLE TO US INDICATES
259.50 DOLS, AUS. PER METRIC TON F.O.B. SYDNEY FOR
MILLED, POLISHED AND GLAZED, AND NOT POLISHED OR GLAZED
252.30 DOLS AUS.

4. THIS MAY BE THE BEST OPPORTUNITY FOR US EXPORTER TO
ENTER PNG MARKET, AS NSW IDUSTRY KEEN TO TIE UP MARKET
AS SOON AS POSSIBLE. TOTAL PNG IMPORTS OF RICE CLOSE TO
50,000 TONS, AND CONSEQUENTLY MARKET NOT LARGE. GPNG
ALSO MAKING STRONG EFFORTS TO DEVELOP DOMESTIC RICE
INDUSTRY BUT PROGRESS SLOW AND WITH PRESENT PRODUCTION
ABOUT 1,200 TONS PER ANNUM LONG WAY TO GO BEFORE ACHIEVING
SELF-SUFFICIENCY. ALTHOUGH GOA NATURALLY SUPPORTING NSW
EFFORTS TO RETAIN MARKET AND OFFSET AT LEAST PART OF
LARGE ANNUAL CONTRIBUTION TO PNG BUDGET, IT APPEARS
GOA NOT PREPARED TO INSIST ON AUSTRALIAN PURCHASES. GOA
OFFICIAL INDICATED LONG TERM TRADE AGREEMENT WITH GPNG
NOW BEING NEGOTIATED WILL NOT SEEK ANY ADVANTAGES FOR
AUSTRALIA, ASKING ONLY FOR MFN TREATMENT.

5. MAIN PROBLEM SEEMS TO FIND RELIABLE SUPPLIER OF
VITAMIN ENRICHED RICE IN CONSUMER PACKS, WHICH WOULD
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HAVE TO MAKE DISTRIBUTION ARRANGEMENT THROUGH LARGE
PNG RETAIL OPERATION SUCH AS STEAMSHIPS' TRADING OR
SIMILAR ORGANIZATION. HOWEVER, THERE APPEARS OPPORTUNITY
FOR BAGGED RICE SALES ON SMALLER SCALE. WOULD APPRECIATE
YOUR SUGGESTIONS FOR MARKET DEVELOPMENT, POSSIBILITIES
OF SHORT TERM DOLLAR CREDITS, OR OTHER COMMENT ASAP
SO MATTER MAY BE DISCUSSED WITH AMCONSULAR OFFICER
VISITING CANBERRA AUGUST 14. PNG CENTRAL PLANNING

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OFFICE HAS JUST ANNOUNCED 2.5 PERCENT IMPORT LEVY HAS BEEN
LIFTED TO COUNTER INFLATIONARY PRESSURES NOW RUNNING AT
ABOUT 20 PERCENT.
HARROP

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: RICE, SALES, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 02 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974CANBER05025
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740210-0797
From: CANBERRA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740880/aaaacqme.tel
Line Count: 119
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AGR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 08 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 JUL 2002 by shawdg>; APPROVED <25 FEB 2003 by boyleja>
Review Markings:

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US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: RICE MARKET DEVELOPMENT
TAGS: ETRD, EAGR, AS, PP
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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